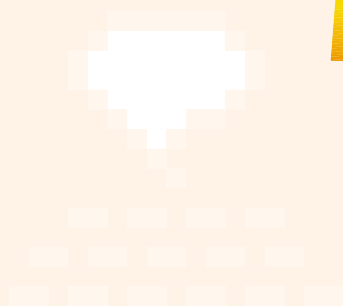




IX Jornada d'Economia **caixaManresa**  
El futur de l'estat del benestar



Lecture

## **The welfare state in a modern European society**

<http://www.uoc.edu/symposia/caixamanresa/jornadaeconomia/eng/giddens.pdf>

Anthony Giddens



Lecture

# The welfare state in a modern European society\*

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## Abstract

Professor Giddens discusses in his lecture the position of the welfare state in Europe today. He begins by looking at the origins of the welfare state and its concepts. He continues to discuss the co-existence of the welfare state and globalisation. He outlays three points of tax based systems, open economy and demographic changes across Europe. Following this he talks about the challenges that Europe faces with its different welfare states in relation to social changes across Europe. This being the main body of his speech he lists six main challenges that every European country has to confront. The first challenge is the need for investment and not just protection in the welfare state. The second is that the welfare state can sometimes create more problems than it solves. The third challenge is a look at the division or line between the market place and the public sector. In his fourth challenge he discusses the problems of divisions between generations. Fifthly, he deals with the problems of poverty and inequality, and then he finishes with the concept of multi-culturalism, migration and immigration across Europe. He concludes with these six concepts as bases for a new European social model, which will preserve solidarity and identities but will also generate employment and promote economic dynamism.

## Keywords

welfare state, globalisation, Europe, demography, social investment state, London School of Economics (LSE)

## Moderator (Adolf Todó)

Good morning everyone, on behalf of Caixa Manresa it is a great privilege to have with us professor Anthony Giddens. He doesn't really need any introduction, as he is very well known in the world of economics and also politics where he has been one of the founders of the third phase for the United Kingdom's Prime minister Tony Blair's economic model. Professor Giddens was born in London and studied Economics at the University of Hull and at the London School of Economics (LSE) where he later became the director until October 2003, and where he still teaches and does research. He has received many awards including the Prince of Asturias for Social Sciences in 2002. He is the author of 31 books and more than 200 articles translated into 29 languages. Therefore, Anthony Giddens is a great expert in the economy and political science. The fact that he is an important personality in the world of international economics and a great expert on the welfare state makes it very interesting for us to listen to him live.

Professor Giddens let me tell you it is a privilege and of course a great pleasure for all of us to have you here today. Thank you

for having accepted our invitation. We are really eager to listen to what you have to say about the future of the welfare state. Thanks once again and please whenever you like.

## Introduction

### Anthony Giddens

Let me first of all say what a pleasure and honour it is to be here this morning and thank the Caixa Manresa and the organisers of the conference for inviting me and since I'm the first speaker, let me say that I hope everybody has a stimulating and entertaining day today.

Ladies and gentleman I think it's appropriate for me to be here for more than one reason. Not just because I take an interest in the welfare state, not just because I think you can't have a decent society without a strong welfare state but, if I might say so, because of the connection of the welfare state with the London School of Economics (LSE), with the LSE which as fore said I used to be the head of. The LSE and successive major figures at the LSE were the

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founders of the welfare state, certainly of the welfare state in the United Kingdom. You think of William Beveridge, who was one of my predecessors, as director of the LSE he was the principal founder of the British Welfare state and of course his ideas influenced welfare states everywhere. Richard Tidmass, T.H. Marshall and even the founders of the LSE, the Fabians (the Fabian group of the left dissenter thinkers) were the inspirers of the early development of the welfare state. The LSE was founded by the Fabian society and the British welfare state was also founded by the Fabian society, so these two institutions are closely tied to one another.

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«I think you can't have a decent society without a strong welfare state.»

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George Bernard Shaw, the playwright, was a prominent Fabian and he was one of the principal figures that influenced the early debates about the welfare state in the UK and influenced the development of the LSE. Just to tell you a little story about George Bernard Shaw. George Bernard Shaw didn't get on too well with Winston Churchill but they did know each other quite well. George Bernard Shaw once sent to Winston Churchill an invitation to one of his plays. He said, «Dear Winston, I'm sending you two tickets to the opening night of my new play, please bring a friend, always assuming you have a friend,» and Winston Churchill wrote back saying, «I'm sorry, I can't get to the opening night of your play, please, send me two tickets for the second night, always assuming there is a second night.» Well the play was successful, it continued; the LSE was successful it continued; the welfare state has been successful: it is still very prominent in our societies.

## Globalisation and the welfare state

We want to start to look at the debate of the welfare state. First of all I think it's important to situate it very briefly in the debate about globalisation because the debate about globalisation has now moved on a lot. Many of the things that people believed about the relationship between living in a more global world, living in a more global economy and the welfare state have not actually proved to be accurate. Many people thought that globalisation was as it were the enemy of the welfare state but the welfare state would have to be reduced, cut back in the light of globalising processes. I'd like to make just three brief points about this debate because we now know that this is not the case.

First of all, it was a mistake to suppose that globalisation erodes the tax base of the welfare state. Many people thought this would happen. Globalisation affects the tax base because, for example, taxes on business have been reduced in most countries with a strongly funded welfare system in spite of the influences which globalisation produces in our lives.

Second point. The smaller most open economies in Europe would be the poorest economies in Europe but on the contrary they are the richest. Countries like Denmark, Sweden, The Netherlands,

they are very open economies but they also are among the richest economies and they have very well developed welfare systems. Crucial thing about these countries, as I'll mention in a minute, is that they reform the welfare systems, they have success in the reform of their welfare states. Nevertheless, however, an open economy is completely compatible with the developed welfare system and indeed maybe the very condition of an effective and developed welfare state.

My third point about globalisation, very important for political audiences as well as business audiences, is «don't blame globalisation for absolutely everything.» The debate about globalisation is a very sort of strange history. I think I was one of the first people ever to use the term *globalisation* and to write about it in the early part of the 1980s. At that time, I was working in British politics, I couldn't get any leading politician to take the debate about globalisation seriously, I couldn't persuade business leaders to take that debate seriously. Now everything's changed so much. You can't stop people talking about globalisation. Every speech by a politician mentions globalisation, every business guru starts from the fact of globalisation but globalisation is only one of the factors that influence the modern welfare state. It is not the case that globalisation is the sole dynamic affecting modern welfare systems. Demographic changes, as we know, the rise of the individualism, technological change, even the emergence of a service society and knowledge-based economy... all of these changes are only loosely connected to globalisation. We have to confront these changes independently and in their own terms.

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«Globalisation is only one of the factors that influence the modern welfare state. Don't blame. Don't blame globalisation for absolutely everything.»

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## Different Welfare Systems in Europe and across the world

Now we know there is no such thing as the welfare state. There are many different kinds of welfare systems. Most people recognise four different types of welfare states: there is the Scandinavian welfare system, different from most others; there is the central European welfare state, as in Germany or France; there is the Mediterranean welfare state as in this country, Italy or Greece; and there is the Anglo-Saxon welfare state, characteristic of my country, Canada, Australia, to some degree the United States. There is not therefore a single trajectory of development. Countries simply face different problems according to which type of welfare state they have and the possibilities that face them differ according to these types.

But it is very interesting when you look at them because many people think the Scandinavian welfare state, the most established welfare state, is the most resistant to change. Many people think that Scandinavia has an established welfare state, it has defended this welfare system in the face of changes but it has

remained stable. But the opposite is the case. The Scandinavian welfare states have been the most reformist welfare states. These are the welfare systems, which have changed most over the past twenty or so years and change, reform, restructuring of the welfare system is the key to any successful welfare state today. You cannot have a successful welfare state, which is not prepared quite radically to reform itself, but always political difficulties which stand in the way of this, but we know that you can have, as it were, a new European social model. We know what that new European social model looks like I think. Often the difficulty is not knowing what we should do but being able to get the coalition of political forces or the political will actually to do it.

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«You cannot have a successful welfare state, which is not prepared quite radically to reform itself.»

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Now there are different welfare states but all welfare states face common structural problems; not all of these come from globalisation as I mentioned. So let me, in the bulk of what I have to say, analyse a core number of these structural problems and say how we should seek to resolve them to create what we want, I think, in Europe.

What we want in Europe I think, is our societies to have dynamic economies, to be competitive in the global market place but to reconcile this with security and protection in a new age of individualism, in a new age where knowledge counts for more than in the past, in a new age where technological change is ever present. Every country has to confront these challenges.

I listed some six main challenges so I'll go through them reasonably shortly in order to be able to say something although not enough really about any of them.

### Social investment state rather than welfare state

First, the first challenge for us is a conceptual challenge I think, it's a challenge about how we think of the welfare state, what the welfare state is in a world, which is very different from sixty or seventy years ago when it was first founded. In English, the term welfare state was invented during the Second World War. It was invented by a religious leader actually, called Archbishop Temple, who contrasted –and I know this wont work in translation– the *welfare state* with the *warfare state*. In the Second World War we had a warfare state, Archbishop Temple said, «we need a welfare state to compliment the warfare state.» Well now it's sixty or seventy years later, should we still be using the term welfare state? Myself I tend to doubt it. I think the term itself is a somewhat archaic one. As for me I prefer the term *social investment state* to *welfare state*. The concept of *welfare state* tends to suggest something reactive, something which protects you when things go wrong. The modern welfare state or the modern social investment state should be more of an asset-based state; it should be concerned with developing assets that people have whether they be education or other form of qualities and capacities.

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«I prefer the term social investment state to welfare state. The concept of welfare state tends to suggest something reactive, something which protects you when things go wrong.»

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The old welfare state was reactive, it looked to overcome what William Beveridge called the five great evils or the five giants, he called them, such as wont, idleness and so forth. We need today a model of what I call *positive welfare*, not just a reactive welfare system but an investment system, which develops people's capacities. So rather than simply speaking negatively of the evils, which we must confront, we should speak positively of the values that we can create; not simply idleness, not simply unemployment, not simply Beveridge's evils but positive things: happiness, self-satisfaction, self-esteem.

We should have an asset-based positive model of a social investment state because the state is providing if you like an infrastructure for an effective market economy. That's what the modern welfare state should do. Of course it still needs to protect people but it needs to protect them as much through investing in people as simply picking out the pieces when things go wrong. So I would look for a conceptual reconstruction of what the very notion of the welfare state needs.

### The necessity of investment over protection and the European employment rate

Second, many people like me on the centre left have tended to think of the welfare state as a completely positive phenomenon. We have tended to think that the welfare state protects us from the worst excesses of an unregulated market and this is to some degree true; but what we have also come to recognise is that the welfare state itself is a problem. The welfare state can create problems and difficulties for us, the welfare state is often something which denies the ambitions that we should seek to achieve, of security, of protection, of self development; not only to achieve them. One was mentioned in the introduction, we know that, for example, passive welfare benefits can lock people out of good jobs when if you have more active benefits people can be in new jobs.

Those countries, which have most effectively developed a new European social model, have active labour market policies. They have overcome the problematic nature of the earlier form of the welfare state. You know the Lisbon Agenda argues that the EU as a whole should have a 70% average employment rate. The average employment rate of the EU countries is still only 62% and only very slow progress is being made. We should be pushing for such a European average, and we know it is compatible both with prosperity and adequate protection as long as you have flexible labour markets with human capital guarantees rather than traditional benefit systems. The UK at the moment, where I think it's one of those countries which has had effective welfare reform (my country), the United Kingdom has a 76% employment ratio,

76% of the labour force are in employment. You look at France or Germany or even worse Italy, in those countries the employment level is only in the low 60%.

Flexibility in the labour market is compatible with effective welfare protection. You cannot have a high level of job creation without a reasonable level of flexibility in the labour market, but flexibility in the labour market does not mean an American style, iron fire labour market. We know from the case of the UK, we know from the case of Sweden, we know from the case of Denmark, that you can have very good protection for people at the same time you have very high levels of job creation and I feel all welfare reforms throughout Europe should be orientated in this fashion because the creation of jobs still remains a crucial European problem. And we know you can do something about it without sacrificing the beneficial forms of protection, which welfare systems provide.

For this, again, often the problem is lack of political will or the opposition of certain interest groups, rather than knowing what to do. We know what to do, we know there is a new European social model here; we know we can reconcile these two. We also know if we have a high proportion of people in employment you have far more revenue to spend on what the population really wants, and what the population really wants everywhere is the same: education, protection in old age, and a good health care system. The higher the proportion of people in work, the higher the tax revenue can generate to spend on these things rather than spending on wasted passive benefits.

### Divisions between the market place and the public sector

Thirdly, I think we know now where to draw the division between the market place and the public sector or public aspects of welfare systems. There was a long-standing argument about how far the market should be allowed to penetrate the public sector, should be allowed to penetrate areas like, for example, education and health care. We have got a lot of experience now, and I think we know there are boundaries between the two and we know far better than we did where those boundaries should lie. I've got a way of presenting this that I'd like to propose to you.

In the market place I would want to argue, the competitive market place we are what I call *consumer citizens*. In the market place choice between products is the crucial means through which you get consumer power. We're still 'citizens' because you need a framework of regulation, which protects people against certain things the market can do for you, for example, the regulation of food production in a competitive market place for food production and distribution. So the state is still involved, but the state sets a regulatory framework.

In areas, which converge more directly with the welfare system like in health and education, I think we've now come to see this theorem should be reversed. In those areas it doesn't make sense to simple treat us as consumers, in those areas we are citizens first and consumers second. So in the market place we are

consumer citizens. In the sphere of public services I want to claim we are citizen consumers. The ethic of citizenship should come before the factor of consumer choice. We want choice in public services I think; choice is a medium of personal power in health services and in education but choice has to be circumscribed by the wider ethics of citizenship including an egalitarian ethics of citizenship, which the government of education and of health in particular demands.

So we know there are boundaries here and I think as proponents of the welfare state we have to maintain some of those boundaries while allowing for the fact that restructuring is absolutely necessary within the welfare or public sector, but in that sector we are citizens first and consumers second. Mechanism and consumption don't and can't work in the same way in a health system, for example, as they do in the open market place. But I think we know how to achieve that balance now, again we know how to restructure these things, but we can't always do so. Political will, again absence of the right kind of political coalitions, which prevents us from doing this rather than knowing what we should do.

### The generation gap

Fourthly, well we all know it, we need a new contract between the generations; this is not only because of the famous problem of pensions, most European countries, every industrial country has a problem of pensions. In my country our problem is more the privatisation of the pension system than it is with public pension provision. It is not really pensions which are driving the demographic problems of the welfare state. Demographic problems of the welfare state are driven primarily by essentially a transfer of risk away from older people towards younger people. We look across Europe in the old days of the welfare state; it was older people who presumed to need protection. Beverage thought older people were most at risk, but now it's children who are most at risk, it's mothers who are most at risk and it's young families who are most at risk.

We need a transfer of resources down the system and what we've come to see in the UK is that investment in children is a crucial part of what an asset-based or social investment state should be all about. One of the things we've discovered is that it won't do to invest in children only through education. Tony Blair had this famous proclamation: «education, education, education.» Of course education is vital in our society, but we know now that many of the divisions in our societies are established even before children reach school. What makes the Scandinavian countries so egalitarian is not particularly the tax system; it's above all the investment in young children. Scandinavian countries have universal child-care systems; investment in children, investment in the early lives of children is going to be crucial for the future.

It's also going to be crucial for the demographic problem that Europe has as a whole. Many people here would have seen the OECD projections for the major areas of the world over the next twenty or thirty years, which show the United States is likely to do well, China and India are likely to do well but the European Union is likely to lag well behind economically. The report concludes that

substantial part of the reason for this is the demographic gap in Europe. People are simply not having enough children to staff the labour force to create the dynamism of the younger generation that people need. Welfare reform is central to this because all the statistics show is that people want to have more children than they actually do. Most people say they want to have two to three children; that everyone knows living in Spain the birth rate in some European countries is down to 1.1 or 1.2. Fundamental difference the demographic structure of the European countries as compared to the United States is very apparent not to mention the Asian countries when you study these statistics so again welfare reform here is crucial to a renewal of the economic dynamism of Europe.

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«People are simply not having enough children to staff the labour force to create the dynamism of the younger generation that people need.»

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### Poverty and inequality in Europe and America

Fifthly, we haven't been good enough recently in dealing with problems of poverty and inequality in the European countries. Large numbers of people still live in poverty in some of the poor European societies. We need somehow to reconcile a new framework for dealing with poverty inequality with the other imperatives I mentioned: economic dynamism and competitiveness. How do we do this? Because we know some of the mechanisms for dealing with poverty in the past did not help with job generation, did not help with economic competitiveness. Well we've discovered a lot, more than we used to know about what poverty is in Europe. One of the things we've discovered that we didn't know before is that there is much more movement among the poor than we previously believed. In the past people studied poverty in two kinds of ways only; they took as it were snap shot analysis of economic poverty or economic inequality, economic inequality at one point in time or they studied poor communities.

It's only recently that as sociologists and economists we've had material on people's lives. What happens to them across time? Many people used to assume «the poor were the poor and they will always be with us.» But it is not the same to be the case if you look at people's experiences across time, across five, ten, twenty years, we find, first of all, far more people experienced periods of poverty than we used to believe but far more people escaped from poverty than we used to believe. One of the first studies of this sort was done in Germany. In Germany it was found that 30% of the population over a ten-year period experienced poverty, but only 5% of that proportion stayed in poverty over that period. People can escape and do escape from conditions of deprivation.

What we should be doing as welfare systems is not treating poverty as though it was a given phenomenon, which is somehow always there, we should be encouraging the ways in which people do escape and bolstering these, helping these by means of state intervention and state involvement. If you look at the statistics on

the United States, if you look at time analysis the poverty rate in the United States is twice what a static analysis gives you. Twice as many people experience poverty as are actually in poverty in any one year, if you measure a five or ten-year period, but there is a very big difference between the United States and the EU countries. In the United States, even though there is a lot of mobility around poverty, far more people stay in poverty, far more people experience recurrent poverty in the United States that they do in Europe.

So what we should be doing for the European welfare state is building on what the European welfare systems already provide: the means of not being locked into poverty, the means of not experiencing persistent poverty. What we need for this is what I call the *politics of second chances*. We need to make sure that people can get back into the system when they experience temporal spells of poverty. We live in a society where the only source of job creation in our society for the future is going to be created in service jobs. All jobs created in the future –net jobs– will be service-based jobs, of which, two thirds will be skill jobs. Two thirds of service-based jobs are skill jobs. We need education for that. One third of service jobs are low-level service jobs. Working in an airport, working as a supermarket check out, that sort of thing. We need to make sure that people don't become locked into a cycle of having a job for a while and not having a job, having a job for a while and not having a job. The key thing is making possible advancement from those jobs into other jobs and having a stable career, particularly important for women, particularly important in my country for single-parent families; it's a crucial kind of area where politics of second chances can be effective. We have I think in the UK under Tony Blair developed an effective politics of second chances around this area through the use of tax credits. Tax credits are a reversal of the traditional passive benefits. You only get the tax credit if you actually take a job. A far higher proportion of women who were the heads of single-parents families are now in work in the United Kingdom than they were in 1997 when Tony Blair came to power. Most of these women are in this lower level service area. Divorce is a major source of poverty in our society; divorce and marital separation. We need a politics of second chances for that. A politics of second chances is what correspond to the more dynamic, fluid, mobile society, which we have today as compared to the past.

### Multi-culturalism in the welfare state

Sixthly, we all know we confront fundamental problems today of diversity and solidarity. If you look around Europe, indeed if you look around the world, the problem, in other words, is to do with migration and multi-culturalism in our societies. If you look around the world there is quite a striking correlation between equality and cultural uniformity. Those countries, which have been most egalitarian in the past, have tended to be the most homogeneous countries culturally. This is true of the Scandinavian societies, for example, at least up until recently. This true of countries like Japan, which is egalitarian but which is very much resistant to the intrusion of foreigners in their culture.

## The welfare state in a modern European society

No society in the future will be homogeneous culturally. You look at the United States, the most powerful country in the world, but it's a reflection of the world; the United States is a kind of reflection of our global diverse era not just a player in it because of its ethnic composition. There are fundamental issues we have to face about how far this sort of solidarity, which the welfare state has generated in the past, is compatible with living in a more culturally diverse society, which will be the case for all of us. A very interesting recent study was carried out in the United States looking at why the United States has not had a strong welfare system in the past as the European countries have. Why has the United States had a weaker welfare state traditionally than the European countries? The authors of this study look at a range of factors; it could be the fact that the Americans were fleeing from Europe; that they wanted a more individualistic society; it could be something about the fact that it was something, from the beginning a much more fluid society than the European countries. But the authors of the study conclude that none of these factors are the major reason, and it is a very rigorous study actually. They conclude the main reason for the weakness of the American welfare state is the racial or ethnic division in the United States between black and white. The division between black and white in the United States has been called by some people 'American apartheid', because the level of segregation between black and white in the United States is the same, as it used to be anyway, in an apartheid South Africa, another country which is racially divided. The authors of the study conclude the reason why the welfare state is weaker in the United States is that the white majority are reluctant to pay for people who they perceive as different from themselves, and that's why the idea of welfare in the United States has such a different moral resonance from European countries. There is less of a perception of overall solidarity of a shared community of fate when you have this large scale and endemic racial or ethnic division in the United States.

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«The reason why the welfare state is weaker in the United States is that the white majority are reluctant to pay for people who they perceive as different from themselves, and that's why the idea of welfare in the United States has such a different moral resonance from European countries.»

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Well, we will have these divisions in the European countries; some of these divisions will be simply cultural, some will be ethnic or racial. We have to ask a question: will the majority be as prepared to share risks, the welfare state is all about sharing risks, will it be as prepared to share risks with people who are defined as different from the cultural majority?

There's a famous American sociologist called Robert Pucknam who wrote a book about the social capital, very celebrated across the world, who's recently done research on this and he concludes that there absolutely is a problem. When you have a more diverse cultural society levels of solidarity tend to fall and when levels of sol-

idity tend to fall support for welfare systems, especially support for economic redistribution, especially support for helping the poor, especially support for helping people who are new to the society, these tend to become more problematic. Can we therefore create a welfare system which is compatible with the new heterogeneous nature of our societies? Personally I think we can and we must, and to do this we have to avoid the American route. We have to sustain the idea that a welfare system or as I would call it a social investment state is something which belongs to all of us. We must absolutely prevent the idea of welfare having the kind of pejorative negative resonance that it has in the United States. One of the experiments we do in teaching at the LSE, where we have a lot of American students, who are nearly all white I have to say, and we have a lot of British students, we ask a room full of students: «how many people in the room attribute their success to the welfare state?» We find that hardly any American students raise their arms. Where as 75% of the British students do raise their arms. There is a completely different moral understanding of welfare in the European countries from the United States and we have to sustain that for the future.

As I would see it this is our fundamental problem in Europe. Europe needs migration, Europe needs immigration; it especially needs immigration of skilled workers technically but it also needs immigration because of the sheer demographic gap that we have in the European countries. Compare the United States with Europe almost the sole difference for the more healthy democratic structure of the United States can be attributed through immigration. Most of this immigration has been south to north and most of this immigration was illegal originally. The United States has had a range of measures which have normalised, which have legalised previously illegal immigration. How can we cope with this immigration in Europe is perhaps the most fundamental issue, which confront us not only for the restructuring of the welfare system but also for the continuation of European solidarity.

I think again we know how to do it. You mustn't again have passive benefits; you must have active involvement on the part of migrants. There must be as if were a «cultural effort bargain» between the host society and migrants. The host society must to some extent redefine its identity but migrants must also accept the norms, the democratic structures and also learn about the identities of the countries to which they come. That kind of cultural effort bargain does seem to work.

Many people say that Europe can't sustain high levels of migration but I tend to doubt this. If the United States in the past is anything to go by, you have as if were phases, you have thresholds. People are more prepared to accept indigenous ethnic minorities than they are immigrants when they actually arrive. It's a very crucial finding because it means probably that we can have more effective multi-cultural societies in Europe that are compatible with solidarity. If you look at the findings of my country they are really interesting. People who are most prejudiced against ethnic minorities are people who don't have much contact with them. London has easily the highest proportion of ethnic minorities but easily the lowest levels of hostility and prejudice towards them. Suggesting that people become accustomed to living in a multicultural

society and you can make the thing work and you can make it compatible with an overall sense of solidarity and identity. You have to accept that a host culture changes at the same time. I could ask you what is the most popular dish in the English cuisine today. The most popular dish is *Tandori* chicken in the English cuisine. The habits of the English have changed as a result of their more multi-cultural society but they have changed in a positive and effective fashion. I think therefore there are as if were thresholds of migration and multiculturalism, which do offer quite a lot of source of hope for the possibility of having a society which is both diverse but also solidary where the welfare state remains fundamental.

### Conclusion

In conclusion my recipe for restructuring the welfare system is a sort of summary version for our second lecture. The welfare state becomes a social investment state concerned more with the production of assets rather than expose factor readjustment of what goes on in people's lives. We have a model of positive welfare and not just a model of reactive welfare. The welfare state structure around the idea of the citizen ensuer; we have central notion of idea of a politics of second chances; and we have as if were a cultural effort bargain between identity, solidarity and the migration, which all our countries will have to deal with.

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«The welfare state becomes a social investment state concerned more with the production of assets rather than expose factor readjustment of what goes on in people's lives.»

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For me, ladies and gentlemen, these are the bases of essentially a new European social model, which will do what we need it to do. To preserve solidarity, to preserve identity, to preserve national identity indeed, but to do so in such a way that will generate high-employment, that will promote economic dynamism that will allow Europe to be competitive in the wider world. These things are not opposites, ladies and gentlemen; I think they do in fact belong together. Thank you very much.

### Questions from the audience

#### Moderator

I'd like to thank Mr. Giddens for his presentation, which was very thorough, suggestive and full of enriching themes. Now those of you who'd like to ask Mr. Giddens some question can do so either in Catalan or English as you like.

#### Question

Mr. Giddens you mentioned the Lisbon Agenda but that was four years ago. Since that period all the biggest economies in Europe,

mainly Germany, Italy and France have faced big difficulties in reforming the social security, the pension systems as well as introduced a liberalisation in their labour markets. I wanted to ask you whether you think that these reforms are necessary; which are the most critical reforms? Also I wanted to ask you whether you think that European politicians are ready today to face the political cost of all these reforms. Thank you.

#### Anthony Giddens

Yes, that's a very good question because it poses I think one of the main structural dilemmas of the economy of the European Union, that is, the Lisbon Agenda is a trans-European agenda but the reforms necessary to get somewhere close to what the Lisbon Agenda aimed at, a lot of them are essentially national reforms and the core issue for Europe is the state of the German economy. The German economy should be the motor of the whole European economy I think. First we know it has close to a zero birth rate and although I think the Agenda 2010 in Germany is a pretty good agenda, it is along the right lines, it's proved very difficult to actually make these reforms count.

To me it's not so much the inadequacies of the Lisbon Agenda, which I think mostly right and proper, it's the structural problem, which is difficult to deal with. You can't really deal with the European level but its consequences flow across Europe and so I think we are a bit dependent upon those countries actually making the necessary economic reforms. As I said, we know where they should go but the moment has proved very difficult to achieve those things and without that I think it's pretty sure that all the overall objectives of the Lisbon Agenda will not be realised. Of course they are not the only countries because the other countries they also find it very difficult to make the sorts of reforms that we've made that feasible.

But I do think that the objectives of the Lisbon Agenda are correct. I do think it's right to say that we now live in a knowledge-based service-based economy. We have to compete within that economy. I do think there are further problems over and beyond that now the Lisbon agenda as you say is aging a bit because you have the further emergence of China, you have outsourcing in India, you have a bit more movement of corporations from Europe to some of these other areas so not nearly enough progress is being made. But politicians tend to ritually just kind of chant «the Lisbon Agenda, the Lisbon Agenda» but without these structural changes it's hard for me to see how they'll be realised.

I do think some of the things I was talking about, especially the need to somehow create more of a younger generation in Europe, to have a more dynamic younger generation is also crucial. I mean one very interesting fact that I might have quoted, amazing thing. The structural unit of number 10 Downing Street, which I'm a bit attached to, did a study of a new entrance of labour force. They may find 50% of new entrance of labour force in five years time in the UK will be from ethnic minorities; 50% of new entrance into the labour force. A quite amazing demographic transformation I think. So all of these things were relevant to the outcome but I can't

see at the moment Europe actually getting close to the objectives of the Lisbon Agenda in the time schedule that was indicated.

### Question

Professor Giddens, several weeks ago many countries became members of the European Union; most of them coming from a centralised economy. It seems to me that they are not very keen on the welfare state perhaps because they confuse centralised economy and welfare state. How do you think this will change the welfare states in the rest of Europe?

### Anthony Giddens

Well, I think there are two aspects to that question really. There's as it were the economic demographic structure of those countries playing it very different from the western European economies. And also, economic opportunities for the rest of Europe, which certainly have to hope so but we don't know yet I think. If you look at what happen in East Germany. Even though East Germany is part of West Germany it proved very, very difficult to overcome the differences between the two and for investment to make progress there. There could be problems I think about the enlargement process even though I'm a strong supporter of it.

The welfare system issue is a partly separate issue, I think. I've been and taught in quite a range of these countries and I think the basic prerequisites for welfare reform in those countries are actually the same as in Western Europe. It's often a question of transforming the welfare system; to make it compatible with the more dynamic competitive economy in much the same way as we need to do in Western Europe.

Some of the structural problems are not so different there and some of the political barriers are not so different either. For example pre-hard to change pension systems in some of those countries. It's plainly going to be difficult but I think most of the comments I made about as if were the West European welfare state also apply to East European countries as do comments about demographic imbalance because those countries won't make up the difference for us because they also mostly have very low birth rates, even lower than some of the West European countries. So I can't see an easy passage there in either of these things but I think the measures that should be instituted are not very different West and East actually, although the resources are obviously different.

One of the things you can do if you are in countries that actually don't have an effective welfare state, in the past true of Mediterranean countries, is you can learn from the mistakes that others made of course as you build you own welfare system so it can sometimes be a positive thing too. I don't know what you think but I foresee quite a lot of problems there as well as advantages.

### Question

As for the issue of women encourage to having more children and not feeling it as a hindrance to their path, to achieving a professional, let's say life as well, because we know that this is extremely difficult as long as parents or as long as men don't really take the same responsibility as women in the care of children.

### Anthony Giddens

I mean the question that you are raising is absolutely central but again we can learn a lot from Scandinavian countries where women are in the best position of any European country. The position of women is crucial to the economic success of a country. It's really interesting and studies have been done recently correlating the involvement of women in the market place with the economic success of a country. It's a very close correlation. But how you deal with the issue if higher birth rates, is making that compatible with a higher proportion of women in the labour force. One way is the Scandinavian way because Denmark, for example, has had considerably higher birth rates than say the Mediterranean countries have. One of the main reason is that women who are in unorthodox family structures, who are divorced or live on their own or separated, get much better treated than they do in most other countries therefore prepare to carry on with having children. But one of the things that has to change but hasn't changed much for these things to be compatible is the attitudes of men inside the household. That hasn't change as much in European countries as I think one as a liberal would hope it would have done.

But we absolutely have to make these things compatible because they are crucial; the position of women is crucial in all of this and it's women who have given up having children. It's a primarily change in the position of women which lies behind the reduced birth rate more than in anything else.

### Moderator

If it's alright with you I think we can leave it here so that we can follow our timetable as planned. Thank you very much professor Giddens.

## Related links

IX Jornada d'Economia de Caixa Manresa

<http://www.caixamanresa.es/jornadaeconomia>

Anthony Giddens' homepage at the LSE

<http://www.lsc.ac.uk/Giddens/Default.htm>

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<<http://www.uoc.edu/symposia/caixamanresa/jornadaeconomia/eng/giddens.pdf>>



## **Anthony Giddens**

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Professor Anthony Giddens (London, 1938) studied his degree in Sociology and Psychology at the University of Hull, where he later studied his masters and PhD at the London School of Economics and University of Cambridge respectively. Between 1961 and 1970 he was a Lecturer in Sociology at the University of Leicester. During this period he was also the visiting professor at Simon Fraser University (Vancouver, Canada 1967-8) and University of California (Los Angeles, 1968-69). He later worked at the University of Cambridge (Kings college) as a reader and lecturer between 1970 and 1986 and eventually became Professor (1986). He has held various posts which include: Chairman and Director, Polity Press Ltd., (1985-present), Director, Blackwell-Polity Ltd., (1985-present), Chairman and Director, Centre for Social research, (1989-present), Trustee of the *Institute for Public Policy Research*, Member of the Court of the University of Leicester. He also gave the prestigious BBC Reith Lecturer for 1999.